

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE ARIZONA ECONOMY

The importance of small business to the state of Arizona is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Arizona had 93,837 businesses with employees; 97.4 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 135,000 self-employed persons in 1996, for an estimated total of 228,837 businesses.

Small Business Income - The income of sole proprietors and partners rose 6.7 percent to \$5.5 billion in 1996, while wage-and-salary income rose 9.6 percent. Total personal income rose 9.3 percent to \$58.3 billion. The state also exported \$9.9 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 130,000 women-owned businesses in Arizona, including part-time firms, employing 336,500 people and generating \$33.9 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 97.3 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 62.1 percent from 1987 to 1992, totaling 2,936 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 81.2 percent during the same time period with 17,835 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 3,398 in 1987, to 5,852 in 1992, representing a 72.2 percent increase.

Business Turnover - The number of new firms increased 15.6 percent, while new business incorporations increased 11.8 percent in 1996. Financial difficulties leading to business bankruptcies decreased by 15.7 percent and business failures decreased by 28.2 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Arizona increased from 34 in 1994 to 36 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
MOHAVE ST BK	Lake Havasu City
COMMUNITY BK OF AZ	Wickenburg
COUNTY BK	Prescott
STOCKMENS BK	Kingman
NATIONAL BK OF AZ	Tucson
NORWEST BK AZ NA	Phoenix
BANK OF AMER NA	Phoenix
BANK OF AMER AZ	Phoenix
BANK ONE AZ NA	Phoenix

Job Growth - Small businesses created 260,769 of the 278,940 net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) created 64.4 percent of the small business growth with 167,968 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	108,693	59,275	50,110	42,690	18,171	278,940
Manufacturing	4,025	5,720	5,953	6,156	5,706	27,562
Retail Trade	23,917	6,833	9,449	8,083	(772)	47,509
Services	47,900	21,716	19,630	21,712	21,546	132,503
Other	32,850	25,006	15,079	6,738	(8,310)	71,364

Industries - The composition of small business in Arizona is very diverse. The Eating & Drinking Places industry is the largest small business employer in Arizona, followed by Special Trade Contractors. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Arizona by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	1,414,848	100.0	53.5
Health Services	8000	138,643	9.8	39.8
Eating & Drinking Places	5800	128,831	9.1	66.4
Business Services	7300	105,435	7.5	49.6
Special Trade Contractors	1700	73,416	5.2	94.3
Wholesale Trade - Durable Goods	5000	51,538	3.6	69.9

Table 2, Top Five Small Business Industries in Arizona by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	757,118	100.0	53.5
Eating & Drinking Places	5800	85,593	9.1	66.4
Special Trade Contractors	1700	69,234	5.2	94.3
Health Services	8000	55,211	9.8	39.8
Business Services	7300	52,302	7.5	49.6
Wholesale Trade - Durable Goods	5000	36,009	3.6	69.9

Table 3, Fastest Growing Industries for Small Business in Arizona, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	711,272	757,118	45,846	6.4
Nondepository Credit Institutions	3,450	4,450	1,000	29.0
Lumber & Wood Products, Except Furniture	4,133	5,177	1,044	25.3
Building Construction	14,992	18,705	3,713	24.8
Furniture & Fixtures	2,943	3,522	579	19.7
Special Trade Contractors	58,257	69,234	10,977	18.8

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.